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Director of
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Intelligence

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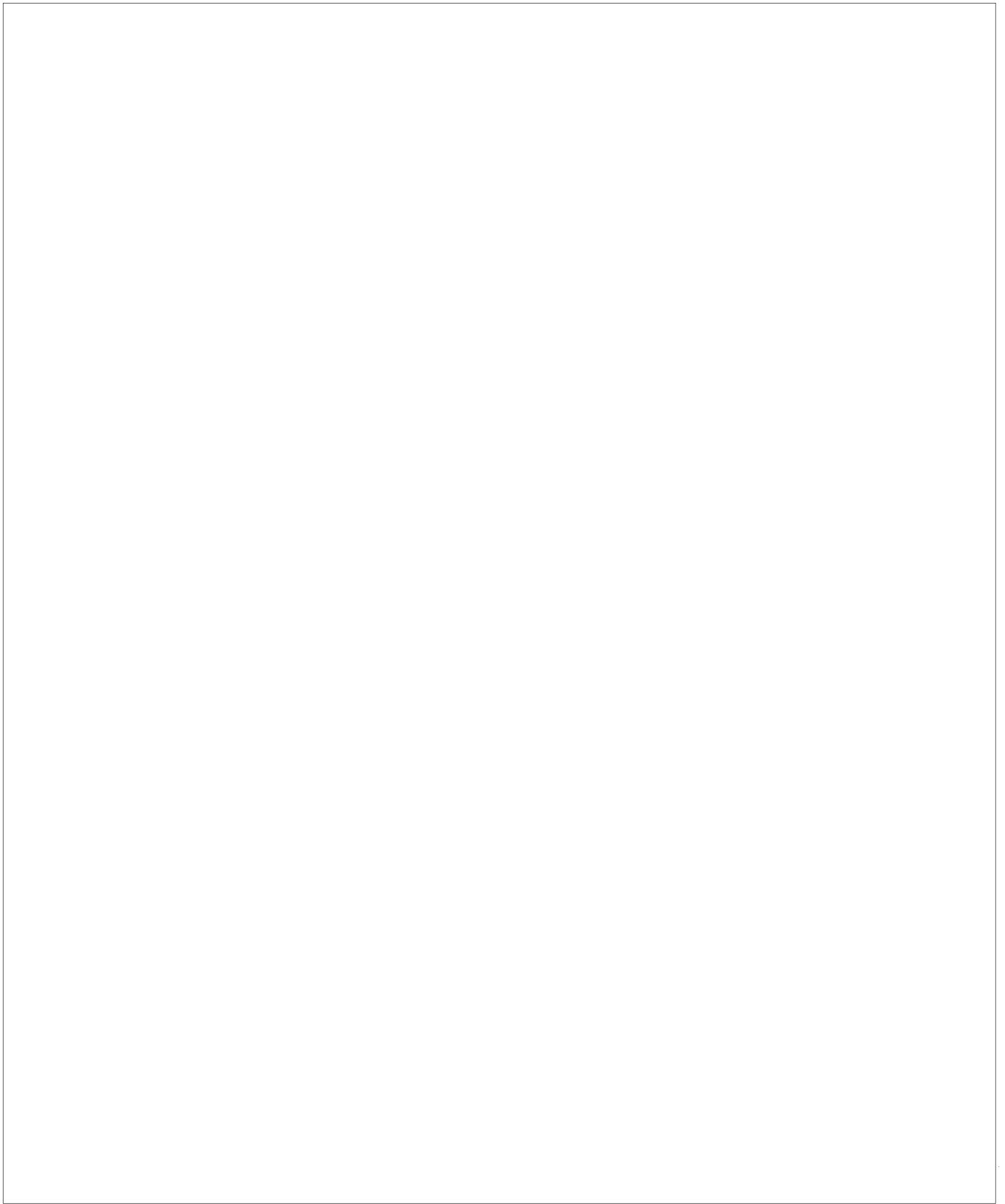
CPAS NID 85-233JX

5 October 1985

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APPROVED FOR RELEASE DATE:
07-22-2010

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Contents

	1
USSR: Party Plenum Rumored	3
Notes	
	4
	4
	5
	5
Uganda: Talks Deadlocked	6
Liberia: Preelection Tension	6
Bolivia: Government Victory	7
	7
Finland-USSR: Dissent in Finnish Communist Party	8
	8
	9
	9
In Brief	10
Special Analyses	
	11
Singapore: Is the Magic Fading?	13
Peru: Promoting an Activist Foreign Policy	15

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5 October 1985

~~Top Secret~~



~~Top Secret~~

5 October 1985



~~Top Secret~~



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5 October 1985

~~Top Secret~~



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5 October 1985



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USSR:

Party Plenum Rumored

A plenum of the party Central Committee reportedly set to convene in the next few days will probably publicize the long-awaited draft of a new party program and could approve further changes in the Politburo and Secretariat.

Rumors in Moscow predict a plenary session of the Central Committee immediately after General Secretary Gorbachev returns from France.

Comment: A plenum this month to approve publication of the draft party program has long been rumored, and the Politburo session last week approved the draft program for presentation to the Central Committee. The draft almost certainly will temper the 1950's program, which reflects Khrushchev's too-optimistic vision of the Soviet future. The new program will provide further insight into Gorbachev's domestic agenda. The Politburo session also approved the draft five-year plan for 1986-90, which Gorbachev had remanded last spring for further work, and it could also be discussed at the plenum.

The most likely personnel changes flow from the replacement last week of Premier Tikhonov by Gorbachev associate Nikolay Ryzhkov. If precedent is followed, Tikhonov will be removed from the Politburo. Ryzhkov's movement to a government post also leaves a gap in the Secretariat, although his responsibilities for overseeing Gorbachev's economic revitalization program could be covered for now by assigning them to other secretaries.

There have also been persistent reports that Gorbachev wants to get rid of several other remaining members of the old guard on the Politburo. Recent press criticism of corruption in the Moscow region suggests that Viktor Grishin may be a prime target.

International Department First Deputy Chief Vadim Zagladin and USA and Canada Institute Director Georgiy Arbatov may be in line to replace the secretaries who run the Central Committee's two key foreign relations departments.

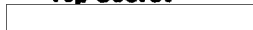
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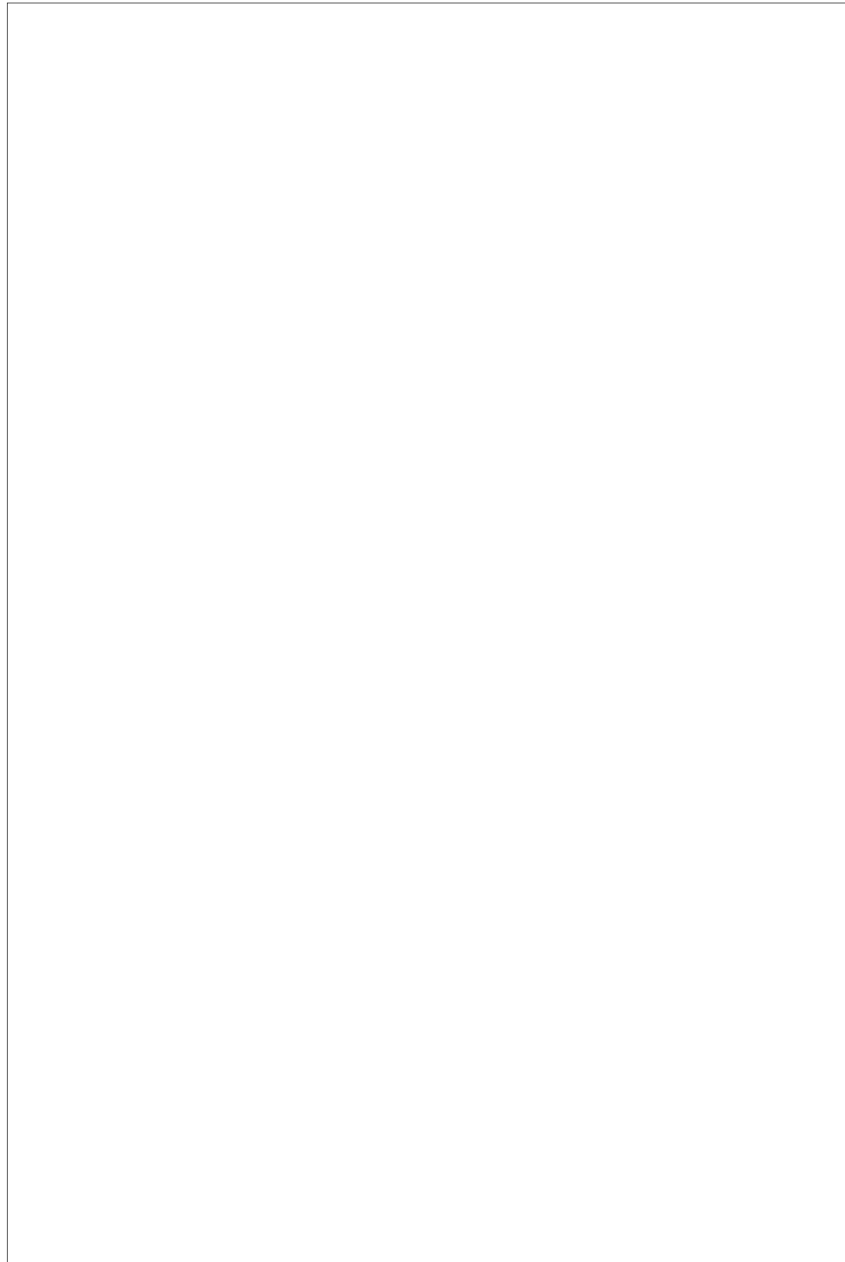
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5 October 1985



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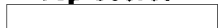
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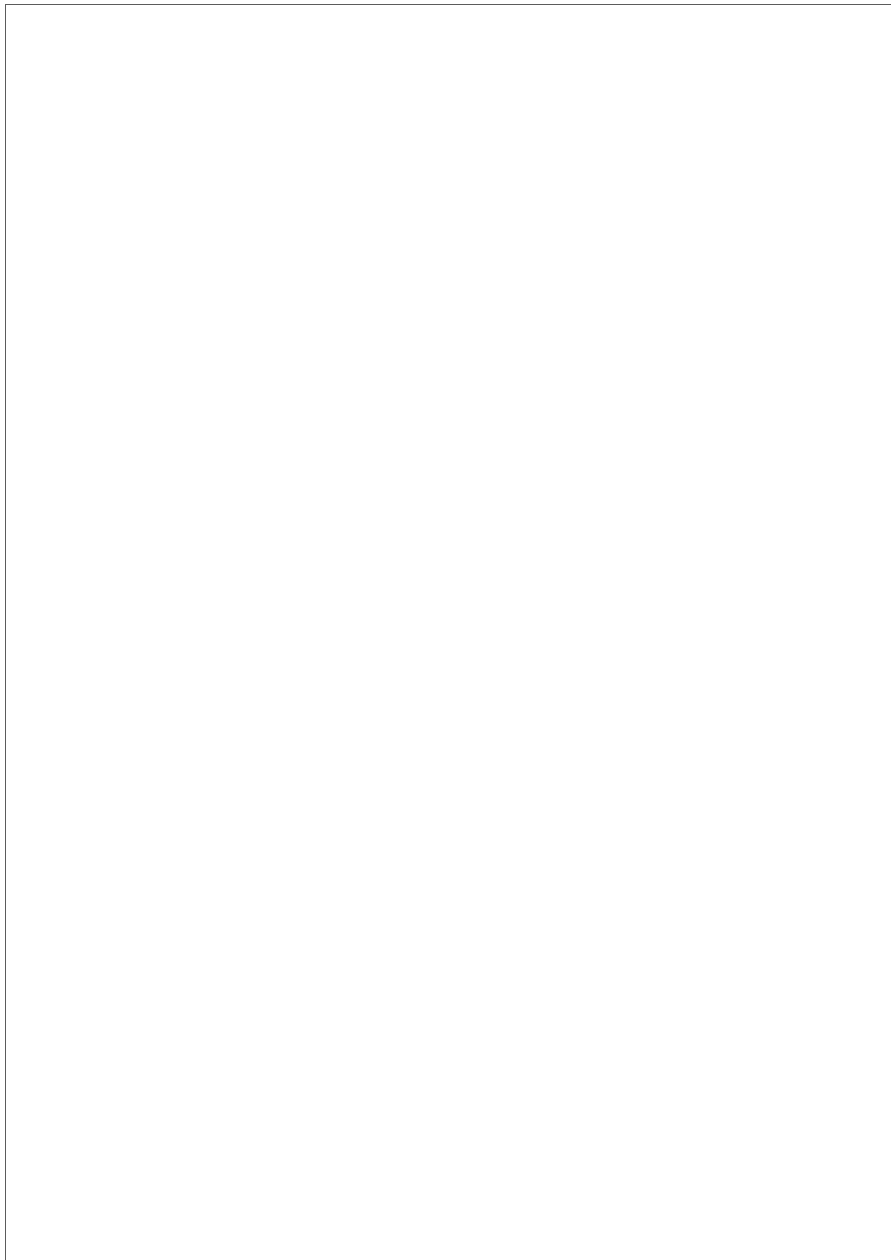
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UGANDA: Talks Deadlocked

The third round of peace talks between government and rebel negotiators in Nairobi adjourned on Thursday without an agreement or an agreed date to resume discussions.

the sides remain at odds over the composition of the ruling military council and the integration of insurgent forces into the Army. Meanwhile, government garrisons in southwestern Uganda remain under siege by the rebels, and the Army has again demonstrated its indiscipline and brutality by killing 25 children as it pillaged church missions near Kampala.

Comment: Time is on the rebels' side. The Army is undermining support for the government by preying on the civilian population, and it is unable to hold its own against the insurgents. Rebel leader Museveni was last reported 10 days ago to be in Dar es Salaam, Tanzania. Should he surface in Uganda, it would indicate that the rebels intend to obtain their political objectives on the battlefield.

LIBERIA: Preelection Tension

Head of State Doe plans to tamper with election returns in the election scheduled for 15 October to ensure not only his victory but also the election of selected opposition candidates.

harassment of opposition parties by young members of Doe's party has become increasingly frequent and brutal. Meanwhile, Doe plans to impose a curfew soon to forestall a possible move by the opposition to thwart the elections.

Comment: By rigging victories for opposition members, Doe probably hopes to secure their cooperation and at the same time put a better face on the already-discredited elections. Nevertheless, his party's violent intimidation of most members of the opposition and his record of arrests and manipulation of opponents probably will increase popular frustration with the regime whatever the election results.

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5 October 1985

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BOLIVIA: Government Victory

The end of the four-week-old general strike on Wednesday resolved the first major challenge to President Paz Estenssoro's new government. The latter has promised to release more than 100 trade union members from remote detention camps and to meet with labor leaders to discuss possible assistance for workers hardest hit by the President's austerity program. Congress on Wednesday ratified the state of siege that was declared when labor leaders refused to settle the strike.

Comment: Paz Estenssoro won a major victory by breaking the strike without making significant economic concessions. The legislature's approval of the state of siege reflects the deal that the major opposition party struck with the President last week—a tactical alliance that will greatly strengthen his hand as he carries out fiscal reforms. The release of the remaining detainees should deflate the human rights charges raised by the government's strong-arm approach.

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5 October 1985

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FINLAND-USSR: Dissent in Finnish Communist Party

The minority Stalinist faction of the Finnish Communist Party has received an ultimatum from the party leadership to conform to the majority's Eurocommunist policies by Monday or face reprisals—including expulsion. In support of the Stalinists, however, the Soviets have intensified overt pressure on the majority moderates' faction to reach an accommodation. The party Central Committee is scheduled to meet on 13 October to consider the dissidents' response to the ultimatum.

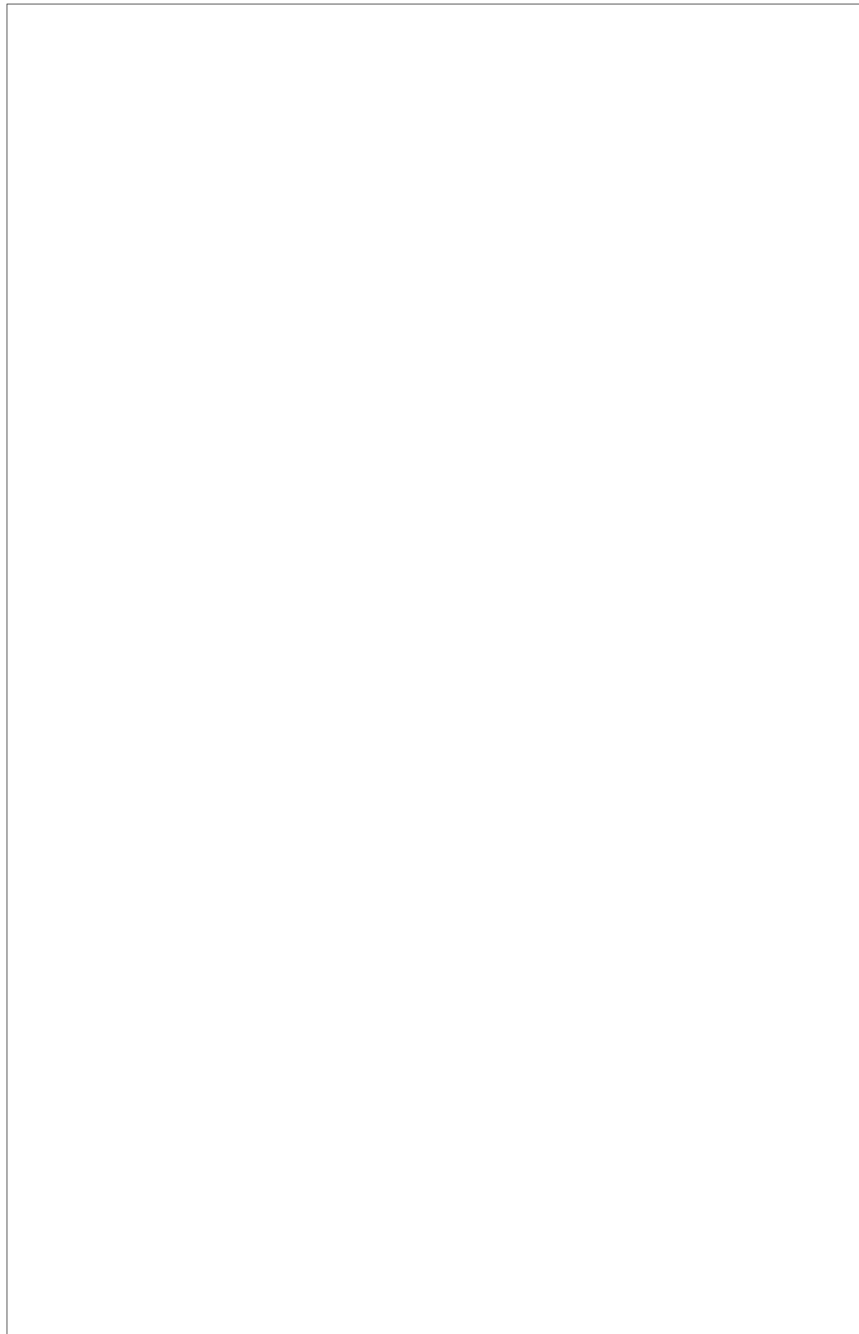
Comment: The party has become increasingly divided in recent years as the Stalinists have resisted the moderates' control. The moderates probably are trying to unify the party now to increase the Communists' chances in the 1987 parliamentary elections. The leadership resents Moscow's interference in internal party affairs but probably will need to accept some compromise.

Whatever the outcome, however, the crisis within the party is not likely to affect official relations between the Finnish and Soviet Governments significantly.

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5 October 1985

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5 October 1985

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In Brief

Americas

- Indian Ambassador in Havana confirms Prime Minister Gandhi to arrive in **Cuba** after Commonwealth meeting in mid-October . . . no major business likely, may discuss nonaligned issues . . . visits by foreign leaders this month helping Castro's prestige.

Pacific

- US-registered Greenpeace flagship arrives off **French** Pacific nuclear test site today . . . Greenpeace leaders say no breach of 12-mile limit planned . . . French Navy will board any ship that crosses line.

Middle East

- Press reports **Israeli** settlers yesterday moved into Qidmat Zevi, new agricultural settlement on Golan Heights . . . construction begun in late 1983 by Likud government . . . first new civilian settlement on Golan Heights since 1981.
- Iran's First Deputy Foreign Minister Besharati-Jahromi traveling to **UAE, Qatar, Bahrain** . . . will probably register Tehran's anger at support for Iraq and pose implicit threat of retaliation if attacks on Khark Island continue.

USSR

- Gorbachev at Paris press conference reiterated **Soviet** refusal to restore relations with **Israel** until Arab-Israeli dispute settled . . . rebuttal of speculation Moscow to renew ties, but repeat of Soviet recognition of Israel's right to exist.

International

- Adjournment of **OPEC** meeting without new compromise on production quotas sets stage for unilateral production increases . . . price decline may be offset for a while by higher winter demand and current uncertainty about Iranian and Soviet exports.

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5 October 1985

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5 October 1985

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LEE Kuan Yew

Age 62 . . . has ruled for 26 years as Singapore's first and only Prime Minister . . . brilliant, shrewd, sophisticated, and tough-minded politician with combative instincts . . . a perfectionist who brooks little opposition . . . democratic socialist and strong anti-Communist . . . supports US economic and military presence in Asia . . . Cambridge educated . . . married with three grown children.

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5 October 1985

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Special Analysis

SINGAPORE: **Is the Magic Fading?**

Prime Minister Lee Kuan Yew's visit to Washington from 7 to 11 October coincides with a rare period of economic and political turbulence for the island republic that could change Lee's plans to step down from the prime-ministership in three years. The sharp decline in the growth rate of the economy from an annual rate of 10 percent in the first quarter of 1984 to a contraction of 1.4 percent in second quarter 1985 is unprecedented. Meanwhile, the poor showing of Lee's ruling party in elections last year has encouraged many among the usually tractable population actively to support the political opposition.

After 20 years of growth averaging over 9 percent annually, the economy has ground to a halt. Production in the critical oil refining industry is dwindling as Indonesian and Middle Eastern producers develop their own refineries; manufacturing is feeling the effects of weak international markets for electronics products and computer peripherals. More Singaporeans lost their jobs in the first five months of 1985 than in all of 1984.

Lee's first reaction to the economic slowdown has been to fund new firms to invest in high-risk, high-technology ventures, typical of his long-term strategy of moving the country up the technological ladder. The government recently admitted, however, that the higher costs of doing business are eroding the city-state's international competitive edge. Wages that have risen an average of 10 percent yearly since 1979 have pushed Singapore's labor costs to almost 70 percent above Hong Kong's, the next highest in the region. Lee has called for a voluntary two-year freeze on wages, but concedes the economy may not fully recover until 1987.

On the political front, two vocal opposition members of Parliament—who defeated two of the ruling party's strongest young candidates in last December's election—have raised the tenor of political protest. Lee is reportedly distressed because the ruling party's share of the popular vote dropped to 63 percent from 76 percent in the 1980 election. One opposition member has gained supporters by attacking the administration on human rights, freedom of the press, academic independence, excessive ministerial and bureaucratic power, intolerance of the opposition, and impediments to strike action by organized labor.

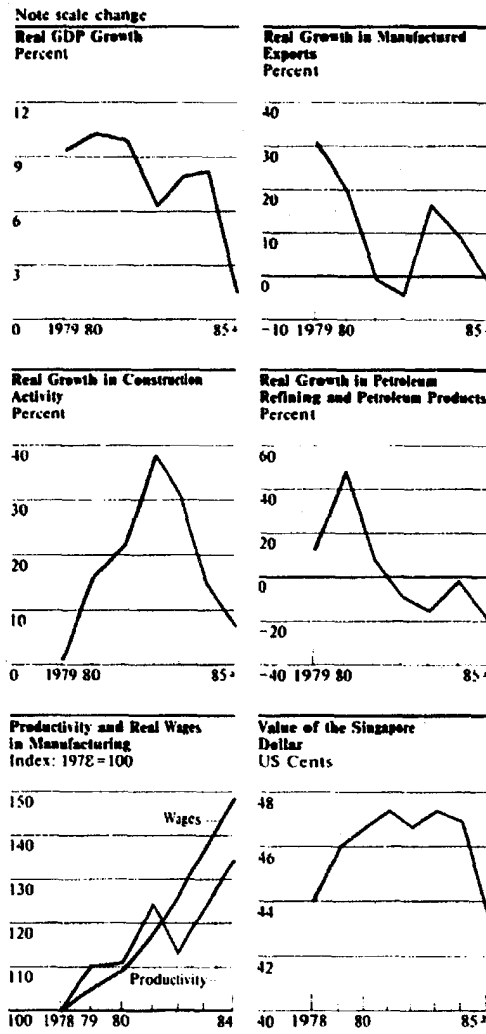
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Singapore: Economic Indicators, 1975-85



^a Estimated.
^b Productivity is real manufacturing output divided by number of workers in manufacturing. Real wages are real earnings per worker per hour.

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5 October 1985

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Concern About the Succession

Lee believes that securing his legacy as the architect of Singapore's economic achievements requires reversing the current downside and that a smooth transition to a new generation of leadership is required to prevent a drastic change in economic policy. Lee has placed several promising young technocrats in party and government positions to test their capacity for leadership. [redacted]

Lee is nonetheless ambivalent about turning over the reins of government. [redacted]

[redacted] Lee underscored his lack of confidence in the younger generation of his party by introducing his eldest son—Lee Hsien Loong—into Parliament in 1984 and making him head of Singapore's new Economic Committee. The move prompted murmurs of a Lee dynasty and undercut other succession hopefuls among the technocrats. [redacted]

Looking Ahead

[redacted]

Upon returning home, Lee will probably impose tighter political discipline both within his party and among the population as a whole. He has already begun to clamp down on his ministers to ensure that the ruling party speaks with one voice; Lee is even suggesting that the one-man-one-vote system may not be appropriate for Singapore. [redacted]

A crackdown on dissent would be ill received by younger Singaporeans increasingly exposed to the Western philosophy of questioning authority. Together with the economic slowdown, opposition parties are almost certain to grow in both size and influence in the next few years. [redacted]

Lee may decide to postpone moving out of the prime-ministership if he believes he is the only man capable of bringing Singapore out of its economic doldrums. Under the best of circumstances, he is unlikely to turn power over to a younger generation without retaining a watchdog role for himself. At Lee's behest the Cabinet is drafting an amendment to the constitution to make the honorary presidency an elective position with enhanced powers—which Lee probably intends to reserve for himself after the 1988 elections. [redacted]

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Special Analysis

PERU:

Promoting an Activist Foreign Policy

President Garcia is coupling his energetic approach toward Peru's domestic problems with an activist nonaligned foreign policy. Although his initial efforts to take on a leadership role in the region have had mixed results, his policies on foreign debt and Central America are likely to be a continuing source of friction with the US. In addition, his desire for Soviet military and economic assistance will offer Moscow new opportunities to strengthen its ties to Peru.

Garcia's foreign policy is rooted in ruling-party tradition and is based on a commitment to Peruvian nationalism, anti-imperialism, and regional integration. Defining anti-imperialism as opposition to concrete actions against other states' sovereignty by either superpower, Garcia also views international issues from a distinctly Third World perspective. Reaffirming his nonaligned credentials, he frequently denounces the "two imperialisms" that fuel the East-West conflict and stresses the importance of North-South issues for Latin America.

The Debt Issue

At the UN on 23 September, Garcia linked imperialism and Latin American debt in a thinly veiled attack on US hemispheric policy. He has aggressively promoted his approach to Third World debt in every available forum, but his proposal for a Latin summit to discuss a debt strategy has attracted little support.

Garcia insists that he does not favor a debtors' cartel, however, and carefully distinguishes his limited-payment policy from the nonpayment urged by Cuban President Castro. The rivalry between the two men on the debt issue shows no sign of abating and will probably delay the long-expected increase in the level of diplomatic relations with Havana.

Central America

The animosity between Castro and Garcia may eventually intrude on the Peruvian leader's desire to promote friendly relations with Nicaragua because Managua is backing Havana on this issue. So far, however, Garcia has been an outspoken defender of the Sandinista regime and an ardent critic of US policy. He recently asserted that the

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internal political process in Nicaragua will eventually improve itself,

Soviet Ties

Notwithstanding his philosophical reservations about Soviet Imperialism, Garcia expressed a desire to improve relations with the Soviet Union shortly after his election.

Garcia evidently is looking to the Soviets—Peru's chief supplier of military hardware for over a decade—to help keep within acceptable limits the austerity-mandated sacrifices he has imposed on the armed forces.

Peruvian exports to the USSR surged last year, primarily the result of a trade agreement that allowed Peru to pay part of its \$2 billion debt in goods. bilateral trade to continue growing over the next few years, and Garcia has welcomed Soviet offers of technical assistance for Peruvian industrial development projects.

Garcia's staunch nationalism means he will probably proceed cautiously with Moscow. Nonetheless, his need for increased Soviet aid, combined with a convergence of perceived interests on some foreign policy matters, has paved the way for resumption of the close bilateral ties of the 1970s. Moreover, the potential for growing friction between Lima and Washington over the debt and Central America may increase Garcia's proclivity to cooperate with the Soviets.

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